

SPECIAL REPORTS

Five Altcoins to Avoid at All Costs

By InvestorPlace Research Staff

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When a new industry booms – when billions and billions of dollars are up for grabs – you can be sure all kinds of people will rush in and try to get their share.

You can also be sure some of these folks will be smart, hardworking, and great people to invest with. And some are the kind of people you would never invite over for dinner... and certainly not do business with.

There will be great investments. There will be so-so investments. And there will be crappy investments.

Although some great businesses like Amazon started in and emerged from the 1990s tech mania, many internet businesses turned out to be losers – remember Pets.com?

The challenge of differentiating between the winners and the losers is magnified in a new industry with massive potential. It's also magnified if a technology is a little harder to understand, like biotechnology in the 1980s and cryptocurrency now.

We won't sugarcoat it: There are plenty of dangers awaiting uninformed altcoin investors.

Just like in the stock market. You'll find many great small companies poised to create huge value for society and hand their early shareholders 10X... even 100X gains. But you'll also find plenty of companies that you shouldn't touch.

That's not to say they are bad. A few may be, but others just aren't solving the right problems in the right sectors for massive growth.

For example, there is a cryptocurrency called Dentacoin, which was created for the global dental industry. That industry is just not very big compared to others, and growth in the sector is virtually non-existent. It is a very niche coin. That's why it is down more than 70% from its 2018 high – and was down 95% until a recent bump.

Bigger Numbers, Bigger Values, Bigger Dangers

The altcoin revolution is still early, which is why now is the time to invest for the biggest profits. At the same time, there are already a ton of coins out there.

According to CoinGecko.com, there are 6,867 coins and 457 exchanges.

Another source, Coinmarketcap.com, lists even more coins – 9,445 – on 368 exchanges.

If we split the difference, we get about 8,150 coins. To put that into perspective, it is more than the number of publicly traded stocks in the U.S., which is more like 6,000.

Within those 8,000+ coins, a number of revolutionary projects leverage blockchain technology to disrupt traditional business sectors. There are also a lot that are not.

Another way to analyze it is through valuation. In fact, this is one of the best ways of identifying cryptos that are often riskier and much more speculative.

The total market capitalization for the crypto sector has hovered around \$2 trillion recently. With that much money in the space, you can bet some less than desirable projects will pop up to try to capitalize on the momentum. Those are often your smallest cryptos.

As of the end of April, the biggest 100 crypto projects have market caps of \$1.2 billion and higher. To make the top 200 coins, you would need a market cap of \$267 million and up. Going down the list further, the 700th largest coin is valued at \$28 million.

If we use CoinGecko's more conservative number of total coins – 6,867 – we see that about 90% of those (about 6,167 coins) are valued below \$28 million. As a rule, projects

in this range are incredibly speculative, so we tend to avoid them because the risk/reward isn't favorable.

Yes, it is mathematically easier for a \$28 million crypto to post big percentage gains than a \$28 *billion* crypto. But those that command higher market valuations offer reasonable assurance that the crypto project is real, employs innovative technology, has a rock-solid team of developers behind it, addresses and solves problems, and improves efficiencies.

3 Red Flags

Before getting into specific coins, here are three general questions to consider when determining which altcoins may not be the best investments:

Copycats: Is the project just a clone of an existing project? Most codes are open source, so it is pretty easy for a developer to simply copy the code and launch a platform without adding any additional features or value. If that appears to be the case, you probably have a red flag.

Fluff: Is the crypto attempting to solve real world business issues, or is it instead relying on clever marketing and social media buzz? If it's the latter, chances are good the project won't have much longer-term value.

Management: How good and how available is the background and experience of the team? If the team leading the project has questionable pedigree, it is probably worth avoiding at that time. Even worse, if it is hard to find information about the team or their credentials don't add up, then it's pretty much an immediate non-starter for us.

Meme Coins to Avoid

With those three questions in mind, let's talk about "meme" coins. They are altcoins based on... yes... memes.

Memes can mean different things to different people, but if you are thinking mostly of images or videos that portray an idea (and go viral), then you're on the right track.

Perhaps the most famous meme coin is Dogecoin, which has soared in recent months as Tesla founder Elon Musk brought tons of attention to it. It is based on a Japanese dog breed and was formed to poke fun at bitcoin.

That is a bit of a clue. We're not saying that Dogecoin won't go higher, and we're not saying it will absolutely go lower. We are saying that either is possible, and with more hype than substance surrounding it, that makes it more like gambling than investing.

Meme coins in general can be cute or funny, but they are generally risky investments. They usually are not disrupting traditional industries and seem instead to rely on clever names and marketing... and riding the broader trend as much as they can.

Still, we would avoid coins like **Garlicoin** (GRLC), which is another meme coin that started as a joke. In fact, the project itself almost tells you to avoid it. It describes itself as “the cryptocurrency you never thought you needed and you probably don't.”

The team now takes it more seriously, but in the end it is very much like bitcoin and Litecoin, which makes it hard to see sustained growth in value over the long term.

Pepemon Pepeballs (PPBLZ) is another you may hear about. As you can probably guess by the name, it is based on Pokémon, the insanely popular Japanese media franchise. The franchise may have much to offer, but the altcoin isn't anything new.

DeFi Coins to Avoid

DeFi – short for decentralized finance – is truly disruptive. It is addressing problems in the traditional financial system and providing solutions. It removes friction and empowers the individuals.

The combined market cap of DeFi projects is up to around \$122 billion, and these projects have about \$100 billion in Total Value Locked, or “TVL” for short. (Think of TVL as deposits in DeFi platforms that give the depositor massive benefits over deposits

in traditional financial products.) TVL grew 3X in just three months from February through April.



DeFi has a bright future, and growth continues to accelerate. Among our recommended coins, **Electroneum (ETN)**, **Polkadot (DOT)**, **Stellar Lumens (XLM)**, and **Uniswap (UNI)** all benefit.

This current hypergrowth and promising future brings with it a stampede of projects that don't seem to offer anything new or original, which tells us they are probably just trying to capitalize on the hottest cryptocurrency sector. Cryptos doing more of what's already out there carry more risk.

In that category, we would avoid **Popsicle Finance (ICE)**, **Pickle Finance (PICKLE)**, and **Your Finance Decentralized (YFD)**. Similar to some of the meme coins, these types of projects rely on social media hype and clever marketing. While those can be good under the right circumstances, they aren't enough on their own to create a worthwhile investment.

The great news is that the crypto sector has plenty of incredible game changing projects that will disrupt traditional industries and revolutionize the entire financial system. Here in *Crypto Investor Network*, we focus on altcoins with game-changing technology that solve real world problems.

We'll continue to take advantage of real opportunities with meat on them and stay away from coins that try to be cute or rely on funny marketing. We like to laugh as much as anyone else, but not when it comes to serious investing.

Those kinds of altcoins are where to build wealth. It's why our portfolio is off to such a strong start, and it's why you've joined us.

We look forward to helping you invest in the winners of tomorrow.